

SUNFIELD, SEBEWA AND DANBY
FIRE ASSOCIATION DISTRICT
COUNTIES OF EATON AND IONIA, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Sunfield, Sebewa and Danby Fire Assn. Dist.	County Eaton and Ionia
Fiscal Year End March 31, 2006	Opinion Date July 26, 2006	Date Audit Report Submitted to State October 13, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Fire Association District Board
Sunfield, Sebewa and Danby Fire Association District
Eaton and Ionia Counties, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Sunfield, Sebewa and Danby Fire Association District, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Fire Association District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Sunfield, Sebewa and Danby Fire Association District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note I, the financial statements present only the Sunfield, Sebewa and Danby Fire Association District Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality's, in conformity with accounting principles generally accepted in the United States of America.

Sunfield, Sebewa and Danby Fire Association District
Independent Auditors' Report
Page Two

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sunfield, Sebewa and Danby Fire Association District, Eaton and Ionia Counties, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Vankat, CPA, PC

July 26, 2006

BASIC FINANCIAL STATEMENTS

Sunfield, Sebewa and Danby Fire Association District
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 93,980
Investments	82,143
Taxes receivable	63,844
Prepaid insurance	1,657
Capital assets (net of accumulated depreciation):	
Land	5,000
Building	11,200
Major equipment	505,187
Minor equipment	<u>36,338</u>
Total Assets	<u>799,349</u>
 NET ASSETS	
Invested in capital assets, net of related debt	557,725
Unrestricted	<u>241,624</u>
Total net assets	<u><u>\$ 799,349</u></u>

See notes to financial statements

Sunfield, Sebewa and Danby Fire Association District
Government-Wide
Statement of Activities
For The Year Ended March 31, 2006

Programs		Program Revenues		
		Fees, Charges for Services	Operating Grants and Contrib.'s	Capital Grants and Contrib.'s
	<u>Expenses</u>			
Governmental activities:				
Public safety	\$ 74,076	\$ 3,783	\$ 192,990	\$
Other:				
Depreciation	<u>64,014</u>	<u>4,000</u>		
Total governmental activities	<u>\$138,090</u>	<u>\$ 7,783</u>	<u>\$ 192,990</u>	<u>\$</u>

General revenues:

Interest earnings

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expenses)
Revenues and
Changes in
Net Assets**

\$ 122,697

(60,014)

62,683

1,148

1,148

63,831

735,518

\$ 799,349

Sunfield, Sebewa and Danby Fire Association District
Balance Sheet
Governmental Funds
March 31, 2006

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 93,980	\$	\$ 93,980
Investments	82,143		82,143
Taxes receivable	63,844		63,844
Prepaid insurance	<u>1,657</u>	<u></u>	<u>1,657</u>
Total Assets	<u>\$ 241,624</u>	<u>\$</u>	<u>\$ 241,624</u>
FUND BALANCES			
Fund balances:			
Unreserved	<u>\$ 241,624</u>	<u>\$</u>	<u>\$ 241,624</u>
Total fund balances	<u>\$ 241,624</u>	<u>\$</u>	<u>\$ 241,624</u>

See notes to financial statements

Sunfield, Sebewa and Danby Fire Association District
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2006

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 241,624
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	1,002,618
Accumulated depreciation	<u>(444,893)</u>

Total Net Assets - Governmental Activities	<u>\$ 799,349</u>
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See notes to financial statements

Sunfield, Sebewa and Danby Fire Association District
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For The Year Ended March 31, 2006

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Township and Village contributions	\$ 192,990	\$	\$ 192,990
Interest	1,148		1,148
Other:			
Miscellaneous	3,783		3,783
Sale of fixed assets	<u>4,000</u>	<u> </u>	<u>4,000</u>
Total revenues	<u>201,921</u>	<u> </u>	<u>201,921</u>
EXPENDITURES			
Current:			
Public safety:			
Insurance	21,695		21,695
First response	12,350		12,350
Firemen expenses	7,235		7,235
Repairs	5,925		5,925
New equipment	5,283		5,283
Consumers energy	4,433		4,433
Accounting/training	3,564		3,564
Fuel	1,899		1,899
Building maintenance	966		966
Phone/internet	852		852
Officer and board	540		540
Water and sewer	468		468
Miscellaneous	4,900		4,900
Debt service:			
Principal		70,212	70,212
Interest		3,966	3,966
Capital outlay:			
Minor equipment	<u>21,387</u>	<u> </u>	<u>21,387</u>
Total expenditures	<u>91,497</u>	<u>74,178</u>	<u>165,675</u>
Excess(deficiency) of revenues over(under) expenditures	110,424	(74,178)	36,246
OTHER FINANCING SOURCES (USES)			
Operating transfers in(out)	<u>(74,178)</u>	<u>74,178</u>	<u> </u>

Sunfield, Sebewa and Danby Fire Association District
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For The Year Ended March 31, 2006
(Continued)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Net changes in fund balances	36,246		36,246
Fund balances-beginning	<u>205,378</u>	<u> </u>	<u>205,378</u>
Fund balances-ending	<u>\$ 241,624</u>	<u>\$ </u>	<u>\$ 241,624</u>

See notes to financial statements

Sunfield, Sebewa and Danby Fire Association District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - governmental funds	\$ 36,246
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Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense.

The amount by which capital outlays
exceeded depreciation in the period.

Capital outlays	\$ 21,387	
Depreciation expense	(64,014)	(42,627)

The issuance of long-term debt provides
current financial resources to governmental
funds, while the repayment of the principal
of long-term debt consumes the current
financial resources of governmental funds.
Neither transaction, however, has any affect
on net assets. This amount is the net
effect of these differences in the treatment
of long-term debt and related items.

70,212

Change in net assets of governmental activities	<u>\$ 63,831</u>
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See notes to financial statements

Sunfield, Sebewa and Danby Fire Association District
Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
-Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Townships and Village of Sunfield contributions	\$163,186	\$163,186	\$192,990	\$ 29,804
Interest	740	740	1,148	408
Other:				
Miscellaneous	1,000	1,000	3,783	2,783
Sale of fixed assets			4,000	4,000
Total revenues	<u>164,926</u>	<u>164,926</u>	<u>201,921</u>	<u>36,995</u>
EXPENDITURES				
Public safety:				
Insurance	21,000	21,000	21,695	(695)
First response	17,650	17,650	12,350	5,300
Firemen expenses	5,500	5,500	7,235	(1,735)
Repairs	7,296	7,296	5,925	1,371
New equipment	5,151	5,151	5,283	(132)
Consumers energy	3,700	3,700	4,433	(733)
Accounting/training	8,360	8,360	3,564	4,796
Fuel	1,320	1,320	1,899	(579)
Building maintenance	2,030	2,030	966	1,064
Phone/internet	1,000	1,000	852	148
Officer and board	500	500	540	(40)
Water and sewer	510	510	468	48
Miscellaneous	5,151	5,151	4,900	251
Debt service	37,180	37,180	74,178	(36,998)
Capital outlay	<u>32,150</u>	<u>32,150</u>	<u>21,387</u>	<u>10,763</u>
Total expenditures	<u>148,498</u>	<u>148,498</u>	<u>165,675</u>	<u>(17,177)</u>
Net change in fund balances	16,428	16,428	36,246	19,818
Fund balances-beginning	<u> </u>	<u> </u>	<u>205,378</u>	<u>205,378</u>
Fund balances-ending	<u>\$ 16,428</u>	<u>\$ 16,428</u>	<u>\$241,624</u>	<u>\$ 225,196</u>

See notes to financial statements

Sunfield, Sebewa and Danby Fire Association District
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies

The financial statements of the Sunfield, Sebewa and Danby Fire Association District (the Fire Association District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire Association District's accounting policies are described below.

A. Reporting entity

The Townships of Sunfield, Sebewa and Danby organized the the volunteer fire department at a meeting on July 9, 1941. New by-laws were adopted and bound by a resolution signed by each municipality effective February 3, 1986. It is now called the Sunfield, Sebewa and Danby Fire Association District. It was established for the purpose of furnishing fire protection throughout the Township of Sunfield, including the Village of Sunfield, the Township of Sebewa, and a portion of the Township of Danby.

The Fire Association District's administrative board consists of five members who are appointed by the Townships and the Village of Sunfield; Sunfield and Sebewa each have two members, on a three year staggered term, a president and secretary/treasurer. This board appoints a fire chief for a term of three years staggered with the officers of the board.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Fire District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Fire Association District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase,

use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Fire Association District has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement focus, basis of accounting and basis of presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Association District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Fire Association District and are recognized as revenue at that time.

The Fire Association District reports the following major governmental funds:

The *special revenue fund* is the Fire Association District's primary operating fund. It accounts for all financial resources of the Fire Association District.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities, and net assets

1. Deposits and investments

The Fire Association District's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Fire Association District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Fire Association District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Fire Association District Board has designated one bank for the deposit of Fire Association District funds.

2. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Fire Association District as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded

at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Fire Association District is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Office equipment	5 years
Fire trucks, pumpers, trailers	20 years
Vehicles	5 years
Minor equipment	5 years

3. *Compensated absences*

The Fire Association District does not have a compensated absence policy.

4. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. *Fund balance*

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

6. *Use of estimates*

The process of preparing general purpose financial statements

in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Fire Association District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Management submits to the Fire Association District Board a proposed budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31st, the budget is legally adopted by the Fire Association District Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Fire Association District Board.

5. Formal budgetary integration is employed as a management control device during the year for the special revenue fund.
6. The budget as presented, has not been amended.

B. Excess of expenditures over appropriations

During the year ended March 31, 2006, the Fire Association District incurred expenditures in the capital outlay activity which were in excess of amounts appropriated by \$36,998.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

Deposits

At year-end, the carrying amount of the Fire Association District's deposits were \$93,980 and the bank balance was \$94,261, of which \$94,261 was covered by federal depository insurance.

Investments

The Fire Association District had the following investments at Ionia County National Bank as of March 31, 2006:

ICNB - CD	(#1036644)	\$ 28,593
ICNB - CD	(#1093131)	13,139
ICNB - CD	(#1093087)	<u>40,411</u>
Total		<u>\$ 82,143</u>

Interest Rate Risk - The Fire Association District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Fire Association District's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Fire Association District shall deposit excess monies in the special revenue fund and all other operating fund

accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Fire Association District shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Fire Association District held in trust by the financial institution or bank. The Fire Association District may choose collateralization in the following form and percentages:

- | | |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and |
| 3. Mortgage Backed Securities | - 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Fire Association District.

The Fire Association District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Fire Association District places no limit on the amount the Fire Association District may invest in any one issuer. All of the Fire Association District's investments are reported in the special revenue fund.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 93,980
Investments	<u>82,143</u>
Total	<u>\$ 176,123</u>
Cash and cash equivalents:	
Special revenue fund	\$ 176,405
Checks written in excess of deposits	<u>(282)</u>
Total	<u>\$ 176,123</u>

B. Capital assets

Capital asset activity for the year ended March 31, 2006
was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Governmental			
Activities:			
Capital assets, not being depreciated	\$ 5,000	\$	\$ 5,000
Capital assets being depreciated:			
Building	40,000		40,000
Major Equipment:			
1941 International			
- Antique	8,000	(8,000)	
1975 Tanker	13,000		13,000
1979 Dodge Power			
Wagon	33,000		33,000
1984 Pumper	51,829		51,829
1990 Telephone			
Dispatch System	20,055		20,055
1996 Fire Truck	82,558		82,558
1997 Surplus Tanker			
Truck	4,680		4,680
2000 GPM tanker/ pumper	265,062		265,062
2002 Gladiator			
Classic/ Evolution			
chassis	125,067		125,067
2004 Update 911 unit, turnout gear, tanks, radios, etc	56,366		56,366
2003 Spartan Fire			
Truck	170,212		170,212

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Minor equipment:			
1993	3,363	(3,363)	
1994	3,062		3,062
1995	2,647		2,647
1996	9,896		9,896
1997	16,872		16,872
1998	9,496		9,496
2001	15,502		15,502
2002	3,117		3,117
2003	9,317		9,317
2004	31,163		31,163
2005	13,330		13,330
2006		21,387	21,387
Total capital assets being depreciated	<u>987,594</u>	<u>10,024</u>	<u>997,618</u>
Less accumulated depreciation for:			
Building	(27,200)	(1,600)	(28,800)
Fire trucks, pumpers, trailers	(238,389)	(24,379)	(262,768)
Other major equipment	(42,601)	(11,273)	(53,874)
Minor equipment	<u>(84,052)</u>	<u>(15,399)</u>	<u>(99,451)</u>
Total accumulated depreciation	<u>(392,242)</u>	<u>(52,651)</u>	<u>(444,893)</u>
Total capital assets, being depreciated, net	<u>595,352</u>	<u>(42,627)</u>	<u>552,725</u>
Governmental activities capital assets-net of depreciation	<u>\$ 600,352</u>	<u>\$ (42,627)</u>	<u>\$ 557,725</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Public safety	<u>\$ 64,014</u>
Total depreciation expense- governmental activities	<u>\$ 64,014</u>

C. Interfund transfers

Interfund transfers:

	Transfer In:		
	Special Revenue Fund	Debt Service Fund	Total
Transfer out:			
Special revenue fund	\$ _____	\$ 74,178	\$ 74,178
Total transfers out	\$ _____	\$ 74,178	\$ 74,178

D. Long-term debt

Note Payable

The Fire District borrowed \$70,211.78 from the Ionia County National Bank for the purchase of a 2003 Spartan Fire Truck on April 16, 2004 at an interest rate of 3.86 percent per annum with payments of \$37,179.94 to be made on April 16, 2006 and 2006.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities	3.86%	<u>\$ 70,212</u>

Changes in long-term liabilities

Long-term liability activity for the year ended March 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
Note payable	<u>\$ 70,212</u>	<u>\$ (70,212)</u>	<u>\$ -</u>	<u>\$ -</u>

IV. Other information

A. Risk management

The Fire Association District is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Fire Association District has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B. Pension Plan

The Fire Association District does not provide a pension plan for its employees.

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Members of the Board of Directors
Sunfield, Sebewa and Danby Fire
Association District
Eaton and Ionia Counties, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

Invoices

The Fire Chief opens the mail, reviews any invoices, then gives them to the Secretary/Treasurer to pay. The Board approves a list of paid invoices at their monthly meetings. The Michigan Department of Treasury requires that all invoices be approved before payment unless there are specified exceptions.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Fire Association District Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

July 26, 2006